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SUBJECT: STAMPEDING INTO COALITION, PERHAPS INTO A TRAP

TOO: PSD LEGISLATOR ON INTRAPARTY CABINET NEGOTIATIONS

Classified By: CDA Jeri Guthrie-Corn for 1.5 (b) and (d)

¶1. (C) Summary: PSD Deputy Georgian Pop confirmed that the PSD would support Teodor Stolojan as the next Prime Minister (Note: Basescu just made this selection public in an afternoon broadcast), but said that two key remaining sticking points were the PSD's insistence on excluding the UDMR from the next government, and the choice for the next Justice Minister--former JusMin Monica Macovei or PSD Spokesman Cristi Diaconescu. We used the meeting to underscore that the choice for Justice Minister would be a litmus test of the next government's resolve to continue with Justice Sector reforms and the fight against corruption. Pop also provided his picks for possible cabinet choices. End Summary.

¶2. (C) Polcouns and Pol Specialist met with PSD Deputy Georgian Pop December 12. Pop confirmed that Teodor Stolojan was acceptable to his party as the next Prime Minister and that a remaining major sticking point in negotiations between his party and Basescu's PD-L was the PSD's insistence that the UDMR be excluded from the next government. It was both a matter of "hard feelings" and policy, he said, as the PSD leadership still smarted from the UDMR's 2004 volte face that secured victory for Basescu's D-A alliance. The UDMR had also reneged on their pre-election agreement with the PSD and PNL to jointly announce on election day that they had a solid parliamentary majority and expected to form the next government.

¶3. (C) Pop said that one reason he had requested the meeting was to gauge the diplomatic community's reaction if the UDMR were excluded from the next government: what sort of reaction might this generate in Washington? Polcouns responded that he had no specific advice regarding the composition of the next government but observed that--in terms of optics--an ethnically diverse cabinet lineup helped send a positive message of inclusiveness both here and throughout the Balkan region. Moreover, this issue might also be a matter of interest to the ethnic Hungarian-American community in the United States.

¶4. (C) Pop confirmed that a stampede had begun among PSD officials to join the next government. Plenty of "greedy and stupid" people in his party--especially those who had failed to win posts in the recent election--were hoping for access to government positions and government resources. He evinced mixed feelings about joining the PD-L in governance, acknowledging on one hand that his party was unlikely to remain intact if it failed to get into governance for another four-year election cycle. On the other hand, joining the PD-L was tantamount to walking into a trap set by President Basescu: many of the "stupid and greedy" people in his party might not resist the temptation to fall into their old corrupt ways. President Basescu controlled the security services, and would save up evidence of PSD misdeeds to humiliate the PSD just before the next Presidential election. Basescu had held out the prospect for the PSD to take over the premiership after two years, but it was doubtful the coalition would last that long, he said.

¶5. (C) Polcouns noted that one issue of continuing interest to the western diplomatic community was justice sector

reform. We were now seeing a series of events that helped focus attention on this issue, including the presence in Bucharest of the European Commission monitoring team preparing the next progress report on corruption benchmarks; the pending expiry of DNA head Daniel Morar's temporary appointment; and a covert effort by the PSD to convene the Justice Committee during the election recess to block the corruption investigation of former Prime Minister Nastase. The choice of the next Justice Minister would likely be seen as a litmus test of Romanian resolve to continue the fight against corruption.

16. (C) Pop winced and acknowledged the PSD's "special burden" on the corruption issue, but insisted that "all the parties" had something to hide. Moreover, the one issue that the three most powerful oligarchs agreed on (i.e., Dinu Patriciu for the PNL, Sorin Ovidiu Vantu for the PD-L, and Dan Voiculescu for the PSD/PC) was the need to keep prosecutors from prying too closely into their affairs. Pop added that many influential PD-L leaders including former Interior Minister Blaga, reputed Presidential Paramour Elena Udrea, former Bucharest Mayor Videanu, and PDL Vice President Negoita--all had corruption issues to hide.

17. (C) Pop said that the choice for Justice Minister now boiled down to two candidates--former Justice Minister Monica Macovei or PSD Vice President (and spokesman) Cristian Diaconescu. The oligarchs, most of the PSD, and many PD-L leaders as well wanted Diaconescu. (Note: Pop asked how foreign embassies might respond to Diaconescu's nomination. Polcouns responded that Macovei's international reputation was well-established; Diaconescu was well-regarded for his foreign policy expertise, but his formative prosecutorial experiences dated back to the Ceausescu era. Polcouns also reminded Pop of his concerns that the PD-L was out to "humiliate" the PSD: wouldn't his party become the lightning rod for shortcomings in Romania's justice sector?) Asked whether there were any other candidates in play for the position, Pop said the other names now being floated on the talk-show circuit were strictly "for show" only. He dismissed PSD legislator Victor Ponta's prospects as "impossible--he's all talk only, and nobody in our party trusts him."

18. (C) Pop's Picks: Pop provided the following observations regarding possible ministerial appointments:

Deputy PM: (to PSD) Current Senate Speaker Ilie Sarbu. Pop said that Geoana will become the next Senate Speaker

MFA: (to PSD) SecGen Titus Corlatean (or Diaconescu if he fails to get the JusMin portfolio)

MOD: (to PD-L) Basescu likely to reserve this for former Presidential Advisor Mihai Stanisoara

MOI: (to PD-L) Stanisoara if he fails to get the MOD slot or Vasile Blaga. (Pop mused, "he's getting too powerful and Basescu might keep him out for a while.")

MOJ: Diaconescu or Macovei

Development: (to PD-L) former Bucharest Mayor Adrian Videanu. (Pop's comment: "prime job, handles lots of money...")

Finance (to PSD) former Finance Minister and current IMF official Mihai Tanasescu

Labor: (to PSD) Marian Sarbu

Agriculture: (to PSD) Ilie Sarbu if he fails to get Deputy PM slot

Transportation: (to PSD) Liviu Dragnea

Economy or Energy: (to PSD) Iulian Iancu. (Pop's comment: "Watch out for this guy--he's owned by Gazprom and he'll support South Stream and the Russian proposal for gas storage

facilities in Medias, Moldova, and Bucharest. He added parenthetically: "Basescu also supports South Stream now, that's what he told Putin in a phone call recently--check this out, you'll see I'm right...Nabucco is dead.")

19. (C) Comment: It was clear that we were being demarched by the PSD to gauge our reaction to two issues--exclusion of ethnic Hungarians from the next government, and our reactions to Cristian Diaconescu serving as the next Justice Minister. Pop made it clear that for Romania's powerful oligarchs--and many in both the PSD and PD-L, this is an existential choice where there will be no compromise. Pop's comments also reflect the PSD's mixed feelings about going into coalition with the PD-L, and his expectation that next year's Presidential election will be the leitmotif for political maneuvering in the coming year. We agree that the oil-and-water PD-L-PSD coalition by its very nature will likely prove to be a volatile and possibly unstable one. Finally, while Pop's picks for future ministerial appointments comprise an interesting list, they need to be taken with the usual dose of salt given that there is little unanimity--and still plenty of jockeying between candidates--for these slots. End Comment.

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